

Message Text

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43

ACTION TRSE-00

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01 SIL-01

L-02 H-01 PA-01 PRS-01 USIA-06 /070 W

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R 201300Z NOV 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 6508

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O.11652: N/A

TAGS: EFIN, BR

SUBJECT: CRUZEIRO DEVALUATION

REF: BRASILIA 8267

1. THE CENTRAL BANK OF BRAZIL ANNOUNCED, EFFECTIVE NOVEMBER 19, THE TENTH DEVALUATION OF THE CRUZEIRO THIS YEAR. THE LATEST CHANGES OF 1.462 PERCENT, WHICH COMES 22 DAYS AFTER THE LAST ONE, BRINGS THE CUMULATIVE DEVALUATION IN 1974 TO 17.88 PERCENT. NEW CRUZEIRO/ DOLLAR RATES ARE 7.285 FOR BUY AND 7.325 FOR SELL.

2. COMMENT: BRAZIL'S EXCHANGE RATE POLICY HAS BEEN THE SUBJECT OF A NUMBER OF PRESS REPORTS DURING THE PAST WEEK. THE BASIS OF THESE STORIES WERE RUMORS CIRCULATING IN THE FINANCIAL AND BUSINESS COMMUNITIES OF RIO AND SAO PAULO TO THE EFFECT THAT THE GOB WAS ABOUT TO UNDERTAKE ONE BIG DEVALUATION IN ORDER TO HELP ITS DETERIORATING BALANCE OF TRADE. THE PRESTIGIOUS O ESTADO DE SAO PAULO, IN AN EDITORIAL

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LAST SUNDAY, URGED THE GOB TO CLARIFY ITS EXCHANGE RATE

POLICY. WHETHER THIS LATEST MINI-DEVALUATION WILL
QUASH THE RUMORS AND SATISFY THOSE LIKE O ESTADO,
WHO ARE LOOKING FOR A CLARIFICATION OF POLICY REMAINS
TO BE SEEN. WHAT IS CERTAIN, HOWEVER, IS THAT FOR
THE TIME BEING THE GOB HAS NOT ABANDONED ITS CRAWLING
PEG POLICY WHICH IS DESIGNED TO ADJUST THE
CRUZERIRO RATE FOR THE COMPARATIVE RATES OF INFLATION
IN BRAZIL AND ITS MAJOR TRADING PARTNERS.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
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30 JUN 2005

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